

Congress of the United States
Washington, DC 20515

June 25, 2012

0820

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Genachowski:

We write to express concerns with potential flaws in the regression methodology utilized to implement the Universal Service Fund (USF)/Intercarrier Compensation (ICC) Transformation Order.

Specifically, we are concerned that the Order was finalized without providing affected stakeholders adequate time to examine the data used by the Commission to formulate the model, understand the effects of the model on their particular businesses, or allow proper time for the Commission receive and respond to stakeholder input. As such, we respectfully request that the following questions be addressed before implementation of components of the Order pertaining to the regression methodology:

- Given the ever-evolving nature of technology and constant need within the industry for modernization, did the regression analysis employed effectively take into account the cyclical nature of spending for small telecommunications providers?
- Was appropriate consideration made for companies operating in disaster-prone areas? Such companies undoubtedly face unique structural and logistical challenges in preparation for, reaction to, and recovery from these events, and the regression model should certainly reflect these special circumstances.
- In formulating the input data for the regression model, were the inherent differences in taxation structures between cooperatives and commercial companies taken into account? When attempting to equitably compare the relevant operating expenses of these differing entities, correction should certainly be made for the vastly disparate amounts of taxes paid before placing this data into any regression model. Otherwise, the model will disproportionately disadvantage the commercial companies vis-à-vis the cooperatives.

Given the short time remaining before the Order's implementation date of July 1, 2012, we look forward to your prompt attention to these issues. Thank you for your consideration of our requests.

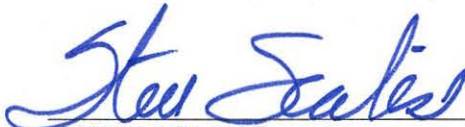
Respectfully,



DAVID VITTER
United States Senator



JEFF LANDRY
Member of Congress



STEVE SCALISE
Member of Congress



JOHN FLEMING
Member of Congress



BILL CASSIDY
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION

March 27, 2013

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable David Vitter
United States Senate
516 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Vitter:

Thank you for your letter regarding the Intercarrier Compensation Transformation Order. I appreciate your interest in this matter and am pleased to provide the enclosed letter on this issue from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Genachowski", is written over the word "Sincerely," and extends across the line.

Julius Genachowski

Enclosure



Federal Communications Commission
Washington, D.C. 20554

March 27, 2013

The Honorable David Vitter
United States Senate
516 Hart Senate Office Building
Washington, DC 20510

Dear Senator Vitter:

Thank you for your letter(s) expressing concerns about the regression analysis methodology adopted as part of the Commission's Universal Service Fund (USF) reforms. Your letter(s) will be included in the record of the proceeding and considered as part of the USF Connect America Fund (CAF) implementation.

In your letter(s) you inquired whether the Commission afforded affected carriers sufficient time to analyze the data used in creating the regression methodology used to implement the *USF/ICC Transformation Order*.

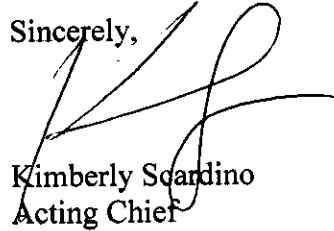
The Commission adopted these unprecedented reforms to the USF unanimously, in an open and transparent process. When it adopted the benchmarking rule in the *USF/ICC Transformation Order*, the Commission delegated to the Bureau the authority to adopt a methodology within the parameters set forth by the Commission after receiving public input in response to a proposal detailed in the *Order*. On April 25, 2012, the Bureau adopted a specific methodology, drawing on a record including comments from interested parties and two peer reviewers. Consistent with the Commission's commitment to a reasonable transition, the Bureau phased in the financial impact of the benchmarks, and carriers will not experience the full impact on support amounts until 2014. The Bureau also considered the specific issues you posed regarding its implementation of the regression analysis, including whether it took into consideration inherent differences in taxation between cooperatives and commercial companies, and the structural and logistical challenges facing companies operating in disaster prone areas. Finally, on February 27, 2013, the Commission adopted an order on reconsideration, changing the benchmarks methodology adopted by the Bureau in response to concerns raised by various stakeholders.

Even as the Bureau continues to make necessary adjustments, in order to extend broadband to unserved rural communities while ensuring fiscal responsibility, it is important to keep moving forward with implementation of the Commission's reforms. The Bureau will continue to run a fair, open process in which the valid concerns of stakeholders are addressed.

Page 2 – The Honorable David Vitter

I appreciate your interest in this very important matter. Please let me know if I can be of any further assistance.

Sincerely,

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Kimberly Scardino
Acting Chief

Telecommunications Access Policy Division
Wireline Competition Bureau

cc: The Honorable Steve Scalise
The Honorable John Fleming
The Honorable Bill Cassidy



FEDERAL COMMUNICATIONS COMMISSION

March 27, 2013

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Bill Cassidy
U.S. House of Representatives
1535 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Cassidy:

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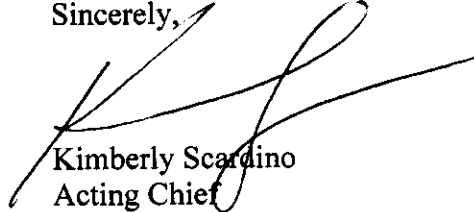
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FEDERAL COMMUNICATIONS COMMISSION

March 27, 2013

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable John Fleming
U.S. House of Representatives
416 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Fleming:

Thank you for your letter regarding the Intercarrier Compensation Transformation Order. I appreciate your interest in this matter and am pleased to provide the enclosed letter on this issue from the Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division.

If you have any additional questions or need any further assistance, please do not hesitate to contact me.

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✓ Julius Genachowski

Enclosure



Federal Communications Commission
Washington, D.C. 20554

March 27, 2013

The Honorable John Fleming
U. S. House of Representatives
416 Cannon House Office Building
Washington, DC 20515

Dear Congressman Fleming:

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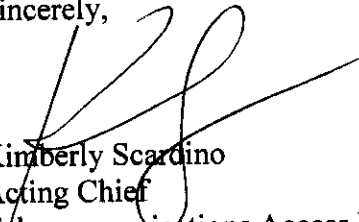
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FEDERAL COMMUNICATIONS COMMISSION

March 27, 2013

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Washington, D.C. 20554

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The Honorable Steve Scalise
U. S. House of Representatives
2338 Rayburn House Office Building
Washington, DC 20515

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